

1-1-1978

## Washington report, vol. 7 no.19, July 3, 1978

American Institute of Certified Public Accountants.

Follow this and additional works at: [https://egrove.olemiss.edu/aicpa\\_news](https://egrove.olemiss.edu/aicpa_news)



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

---

### Recommended Citation

American Institute of Certified Public Accountants., "Washington report, vol. 7 no.19, July 3, 1978" (1978). *Newsletters*. 639.  
[https://egrove.olemiss.edu/aicpa\\_news/639](https://egrove.olemiss.edu/aicpa_news/639)

This Article is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in Newsletters by an authorized administrator of eGrove. For more information, please contact [egrove@olemiss.edu](mailto:egrove@olemiss.edu).

# AICPA *Washington Report*

---

July 3, 1978, Volume VII, Issue 19

Commerce	Survey of foreign investment proposed .....	p. 1
DOE	Petroleum record retention limits extended .....	p. 1
FRB	1977 Annual Report available .....	p. 1
FTC	Detailed premerger information to be required .....	p. 1
HEW	Health program grants announced .....	p. 1
OMB	Study of Federally assisted programs announced .....	p. 1
	Paperwork burden reduction survey released .....	p. 2
SEC	Report on the accounting profession approved .....	p. 2
	Staff Accounting Bulletin on involuntary conversion released ..	p. 3
	FTC quarterly financial reports and shareholder communications to be discussed .....	p. 3
SBA	Management study on breakeven analysis available .....	p. 3
Treasury	Bill to prohibit fringe benefit taxation passes House .....	p. 3
	S. Allen Winborne named Asst. Commissioner for Employee Plans and Exempt Organizations .....	p. 4
	Legislation to expand the use of ESOPs introduced .....	p. 4
	Senate ratifies controversial income tax treaty .....	p. 4
USPS	Postal Service reform legislation introduced .....	p. 4
Special	Sunset law to be considered by Senate .....	p. 5

#### COMMERCE, DEPARTMENT OF

A proposed new form, BE-15 "Annual Survey of Foreign Direct Investment in the U.S. - 1977" has been submitted to the Office of Management and Budget for approval. The survey is being conducted to obtain accurate data on the amount of foreign direct investment in the U.S. and financial and operating data on multinational companies which may affect the U.S. and foreign economies. The report would require U.S. affiliate companies to provide balance sheet information and list information on employees, land and mineral rights, property and equipment located in each state.

#### ENERGY, DEPARTMENT OF

Record retention limits have been extended in the case of petroleum pricing and sales records. (See the 6/27/78 Fed. Reg., pp.27777-82). Records must be held for five years to show compliance with the mandatory petroleum price and allocations regulations under rules announced by the Economic Regulatory Administration. The amendment extends the recordkeeping requirements to all firms currently subject to audits and to firms engaged in compliance proceedings. Originally, a 7 year retention period was proposed, but was shortened in response to industry objections.

#### FEDERAL RESERVE BOARD

The 1977 Annual Report of the Federal Reserve Board is now available. The report covers operations of the Board during the calendar year of 1977 and provides information on monetary policy and the U.S. economy as well as records, operations, and organization of Board activities. Summaries are also provided of the Board's legislative recommendations and legislation enacted that affects the banking profession.

#### FEDERAL TRADE COMMISSION

Look for new premerger forms to be used in the program which will require the submission of "more comprehensive and detailed information," than the existing process. The amendments reflect changes as a result of the Hart-Scott-Rodino Antitrust Improvements Act of 1976. Rules implementing the new premerger notification program will become effective on 7/28/78 and will replace the Commission's existing program. For more information contact Malcom R. Pfunder, Associate Director of Premerger Notification at 202/523-3894.

#### HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

Interim final regulations on grants to schools of public health for various health programs appeared in the 6/27/78 Fed. Reg., pp.27837-40. The regulations implement HEW authority to make grants to assist schools of public health to meet the costs of special projects to develop new programs or expand existing programs of graduate training in public health. The regulations include a requirement that the grantee provide an annual financial audit of its books, accounts, financial records and other papers. The audit must be conducted by and certified to be accurate by an independent CPA utilizing GAAS.

#### OFFICE OF MANAGEMENT AND BUDGET

A proposed plan to study and improve Federal assistance programs (FAPs) has been issued by the OMB (see the 6/23/78 Fed. Reg., pp.27504-06). This release

outlines the proposed study and lists the major issues planned for detailed analysis. Some of the primary questions to be addressed include what should be the scope of managerial requirements for FAPs and how would a comprehensive system of guidance help define Federal and recipient accountability. Comments on the OMB proposal are due by 8/23/78. Specific information on the proposal can be obtained from Thomas L. Hadd at 202/395-5156.

Action by Federal agencies has cut the government's annual paperwork burden on business firms and the public by more than 85 million hours since 1977 according to an OMB report. The report, the first on the status of recommendations by the Commission on Federal Paperwork, notes that the total burden of reporting imposed by the Federal government is almost 785 billion hours. It details a number of steps taken by the Administration to curb the overall paperwork burden including the executive order requiring agencies to simplify their regulations, analyze the paperwork effect of proposed regulations and periodically review existing regulations. Copies of the report are available from the OMB at 202/395-4623.

#### SECURITIES AND EXCHANGE COMMISSION

Last Wednesday the five members of the Securities and Exchange Commission approved the "Report to Congress" on the self-regulatory activities of the accounting profession. The report will be made available to the press on July 5th and copies will be distributed to members of Congress at that time. Actually, four documents have been prepared by the SEC staff. There is the Commission Report; a Commission Staff Report; an "Issues Summary"; and a compilation of exhibits.

It was the "Report to Congress" which was discussed at this meeting and it will follow the general format of the Commission's presentation of the issues as they were offered during the Metcalf Subcommittee hearings. It is expected that the following topics and subheadings will appear in the "Report" as follows:

##### INDEPENDENCE

- Audit Committees
- Scope of Services

##### REGULATION AND OVERSIGHT

- Assessment of the Structure and Activities of the AICPA's New Division for Firms
- Role of the Public Oversight Board
- Peer Review Procedures

##### ACCOUNTING AND AUDITING STANDARD SETTING PROCEDURES

- FAF Structure Committee's Recommendations
- Specific Activities of the FASB
- Role and Responsibilities of AudSEC
- Impact of the Foreign Corrupt Practices Act of 1977.

In the closing discussion, the acting Chief Accountant Clarence Sampson, stressed that the next couple of months are critical in the current chain of events. His remark was concurred in by the members of the Commission.

Chairman Williams concluded by stating that he was satisfied that the "Report to Congress" is balanced and fairly represents the views of the Commission and he went on to congratulate Mr. Sampson and his staff for their efforts during the last year. Chairman Williams stated that in his view the SEC is indicating in its "Report" that the progress of the accounting profession over the past 9-10 months permits the SEC to continue to support the concept of self-regulation. He added that on the basis of recent events he is encouraged with such progress, and he stated that he felt there was no reason to believe self-regulation can't work. However, he also stated that he still had some "doubts", "reservations" and "concerns" about the implementation of the AICPA program, but basically there has been more progress than areas of disagreement. The other Commissioners concurred in these sentiments. Commissioner Evans added that such progress could only have occurred because there was "cooperation (by the Institute) in the best sense of the word".

Staff Accounting Bulletin No.21-Involuntary Conversion has been issued (Rel. SAB-21). The bulletin presents the staff's view that the gain on the involuntary conversion of timberland, where a portion of the proceeds were to be reinvested in other timberland, should be recognized in the financial statements and that none of the excess of proceeds over carrying value should be deferred or offset against the cost of the timberland to be acquired. It is expected that SAB-21 will appear this week in the Fed. Reg.

Two items of interest to the accounting profession will be discussed at an open meeting on the Commission scheduled for 7/6/78. Proposed comments to the Federal Trade Commission on the SEC's policy concerning the relationship of filing requirements for FTC quarterly financial reports and the federal securities laws will be reviewed. In addition, the Commission will consider a proposed release on the re-examination of rules relating to shareholder communications and shareholder participation in corporate governance. The 7/6/78 open meeting will be held at 10 a.m. in the Commission meeting room, 500 N. Capitol Street, Washington, D.C.

#### SMALL BUSINESS ADMINISTRATION

A new booklet entitled "Attacking Business Decision Problems with Breakeven Analysis" (MA 234) has been issued by the SBA. The latest in a series of management aids for small manufacturers, this aid illustrates ways in which breakeven analysis can be applied to sales, profit, costs, and selling price problems and how it can be used to help make sound decisions for employing idle plant capacity, for planning advertising, granting credit, and expanding production. Copies of this and other Aids are available free from field offices and the Washington headquarters of the SBA.

#### TREASURY, DEPARTMENT OF

The House has approved a bill prohibiting the IRS from issuing new rules on the taxation of fringe benefits and commuting expenses through 1979. The measure also includes a provision that the Supreme Court decision in Commissioner v. Kowalski on taxation of subsistence allowances be applicable to 1978 and future

years only so state troopers would not owe back taxes. Supporters of H.R.12841 say Congress will now have more time to study the problems of taxation of fringe benefits and commuting expenses for possible changes.

In a related matter, House Ways and Means Chairman Al Ullman (D-Ore) announced the appointment of a special task force to study and make recommendations on the tax treatment of fringe benefits. Rep. J. J. Pickle (D-Tex) was named to head the task force which will begin a detailed study of the fringe benefits taxation issue over the next year. Chairman Ullman also announced the formation of a committee task force to study the tax classification of individuals as employees or independent contractors.

S. Allen Winborne has been named Assistant Commissioner for Employee Plans and Exempt Organizations of the IRS. The Office of Assistant Commissioner was established by ERISA and has responsibility at the IRS for pension, profit-sharing and other benefit plans for employee and self-employed persons as well as jurisdiction over tax-exempt organizations and actuarial matters. Winborne has been with the IRS since 1957 and previous to this appointment served as Deputy Assistant Commissioner in the Technical Division.

A bill to expand the use of ESOPs by offering employers a choice of a tax credit of 2 percent of the qualified plan investment or 1 percent of compensation of participants covered by the plan has been introduced in the Senate by Sen. Long (D-La), Chairman of the Finance Committee. Sen. Long said in his introductory remarks that the bill would make TRASOPs attractive to labor intensive industries which have not been able to utilize the investment tax credit that was first made available under the Tax Reduction Act of 1975 and amended by the 1976 Act. A copy of the text of S.3241 and further details on the bill appeared in the 6/23/78 Cong. Record pp.59634-37.

The Senate has voted to ratify the controversial income tax treaty between the United States and the United Kingdom. Ratification came on an unusual second vote after the Senate has previously rejected the treaty. Approval was assured after a compromise was reached on a tax accounting matter. The Senate agreed to nullify a provision in the treaty that would have prohibited states from using a unitary system of tax accounting that would apply state tax to the profits of a foreign company. This provision had been opposed by state tax officials. Further negotiations are now expected with the British government.

#### UNITED STATES POSTAL SERVICE

Legislation to reform the Postal Service and hold first-class mailing costs for individuals at the current rate of 15¢ for the next four years has been introduced by Sen. John Glenn (D-Ohio). The bill, S.3229, which has received broad support from the Administration and the Postal Service, would also: extend the current \$930 million public service subsidy of the USPS through 1982, but require more strict accounting; mandate improved systems of identifying postal costs and allocating them among the various classes of mail; provide the USPS operations be directed by managers chosen by the Postal Board of Governors, but that the chairman of the Board be designated by the President; provide rate relief for the first 250,000 copies of publications ineligible for other postal discounts; and separate the budget of the Postal Rate Commission from the Service to assure the Commission's independence.

SPECIAL: SUNSET LAW TO BE CONSIDERED BY SENATE

Legislation to require automatic termination of government programs unless  
extended by the Congress has been approved by the Senate Rules Committee.  
The bill, S.2, establishes termination dates for all government programs  
over a 10-year period between 1980 and 1990 and requires that a determination  
be made as to whether a program is still performing the job it was designed  
to do before Congress may extend it. The bill contains an automatic  
exemption for contributory programs such as social security, medicare,  
interest on the national debt, and the court system. S.2, which was  
introduced by Sen. Edmund Muskie (D-Maine), has already passed the  
Governmental Affairs Committee and is now cleared for consideration by  
the full Senate.

For additional information contact:  
Steven Woolf or Susan Retter  
202/872-8190

**AICPA** *Washington Report*

---

**American Institute of Certified Public Accountants**

1620 Eye Street, N.W., Washington, D.C. 20006

FIRST CLASS MAIL